

Message Text

PAGE 01 STATE 096015

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TO AMEMBASSY KINGSTON PRIORITY

INFO AMEMBASSY LONDON PRIORITY

C O N F I D E N T I A L STATE 096015

E.O. 11652:GDS

TAGS: EGEN UNGA UK

SUBJECT: UK IDEAS ON COMMODITIES FOR COMMONWEALTH

---- CONFERENCE

REF: (A) STATE 092321

(B) STATE 092322

1. BRITISH HAVE KEPT US CLOSELY INFORMED ON THE PROGRESS
OF THE COMMODITY POLICY REVIEW ORDERED BY PM WILSON
FOLLOWING HIS FEBRUARY 9 LEEDS SPEECH ANNOUNCING THAT A UK
COMMODITY POLICY INITIATIVE WOULD BE FORTHCOMING AT THE
COMMONWEALTH PM CONFERENCE. UK POLICY WAS APPROVED BY
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PAGE 02 STATE 096015

CABINET IN MID-APRIL AND WILL BE KEYNOTE OF BRITISH
PRESENTATION IN JAMAICA.

2. UK STUDY EXAMINES THREE MAJOR MECHANISMS WHICH HAVE BEEN

PROPOSED FOR DEALING WITH COMMODITY PROBLEMS: (1) INDEXATION IS CONSIDERED UNSUITABLE AS MAJOR DEVICE BUT MIGHT BE FEASIBLE AS SHORT-TERM DEVICE FOR PRICE ADJUSTMENTS BETWEEN FORMAL REVIEWS; (2) EARNINGS STABILIZATION SCHEMES (E.G., EEC STABEX) OFFER FLEXIBLE MECHANISM THAT AVOID EQUITY AND MARKET INTERVENTION DIFFICULTIES OF PRICE STABILIZATION MEASURES; (3) COMMODITY AGREEMENTS, ALTHOUGH OF LIMITED SUCCESS IN PAST, SHOULD NOT BE ABANDONED BUT SHOULD BE CONSIDERED ON COMMODITY-BY-COMMODITY BASIS.

3. BUILDING ON STUDY CONCLUSIONS, UK COMMODITY INITIATIVE PROPOSES "GENERAL COMMITMENTS" AND "SPECIFIC PROPOSALS." FORMER ARE NINE PRINCIPLES TO BE MUTUALLY AGREED ON BY PRODUCERS AND CONSUMERS. SUBJECTS COVERED INCLUDE OBLIGATIONS REGARDING MARKET AND SUPPLY ACCESS, COMMODITY PRICES, INTERNATIONAL LAW CONSIDERATIONS IN APPLYING LDC CONCEPT OF "PERMANENT SOVEREIGNTY," AND ENCOURAGEMENT OF PRODUCTION, PROCESSING AND DIVERSIFICATION IN LDCS. THE SIX SPECIFIC PROPOSALS INCLUDE IMPROVED INFORMATION ON SUPPLY/DEMAND; DEVELOPMENT OF CODE OF BEHAVIOR ON IMPORT AND EXPORT RESTRICTIONS; CONSUMER REPRESENTATION ON EXISTING PRODUCER ASSOCIATIONS, GREATER EFFORT TO IDENTIFY COMMODITIES THAT MIGHT BE SUITABLE FOR COMMODITY AGREEMENT AND EXAMINATION OF APPROPRIATE FINANCING MECHANISMS; AND ESTABLISHMENT OF FRAMEWORK FOR COMMODITY EXPORT EARNING STABILIZATION SCHEME.

4. UK GENERAL PRINCIPLES AND SPECIFIC PROPOSALS DO NOT DEVIATE FROM CURRENT US POLICY ON MOST ISSUES INCLUDED. OUR EXPERIENCE, HOWEVER, IS THAT POLICIES ACCEPTABLE TO US ARE UNACCEPTABLE TO LDCS. WE ARE DUBIOUS IN PARTICULAR ABOUT PROSPECTS FOR SUCCESSFUL START IN RESOLVING DC-LDC COMMODITY ISSUES IN SPECIAL UN COMMODITY CONFERENCE THAT BRITISH MAY PROPOSE IN COURSE OF KINGSTON MEETING.

5. DESPITE OUR SKEPTICISM AS TO SALEABILITY OF UK PROPOSAL TO LDCS, WE BELIEVE UK INITIATIVE IS A SERIOUS APPROACH
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PAGE 03 STATE 096015

WHICH HAS BEEN GIVEN MUCH CONSIDERATION. ACCORDINGLY, DEPARTMENT IS KEENLY INTERESTED IN RECEIVING EMBASSY'S PROMPT ASSESSMENT OF IMPACT OF UK PROPOSAL ON THIS ASSEMBLY AND REACTIONS TO IT BY CONFERENCE ATTENDEES. UK, FOR ITS PART, HAS EXPRESSED STRONG DESIRE TO COORDINATE UK-US APPROACHES TO COMMODITY POLICY AND EMBASSY SHOULD RECEIVE READY COOPERATION FROM LOCAL UK REPRESENTATIVES AS WELL AS VISITING UK DELEGATION.

6. PM WILSON AND FONSEC CALLAGHAN ARE PRESENTLY SCHEDULED TO VISIT PRESIDENT AND SECRETARY OF STATE FOLLOWING CONCLUSION OF KINGSTON CONFERENCE.

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